



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 5/2/2003

GAIN Report #MY3019

## Malaysia

### Market Development Reports

### Fresh Produce Market in Malaysia

## 2003

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#### **Report Highlights:**

**This report provides background on the Malaysian fresh produce market and its future prospects; consumers' taste and preferences and distribution patterns. It also provides recommendation for US fresh produce exporters on market penetration.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Kuala Lumpur [MY1], MY

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# 1. Country Profile

## 1.1 Country Overview

Table 1: Summary of Malaysia

Location of Malaysia	Southeast Asia
Malaysia's land area	329,735 square km
Estimated population in 2002	24.5 million (estimated)
Form of government	Parliamentary government under constitutional monarchy
Ethnic composition	Bumiputera (63%), chinese (24%), Indians (7%)
Religious composition	Islam (56%), Buddhism/Confucianism/Taoism (29%), Hinduism (7%), Christianity (6%)
Major languages used	Malay, English, various Chinese dialects, Tamil
Major festivals	Eidil Fitri, Chinese New Year, Deepavali, Christman and Harvest Festival (East Malaysia only)

Malaysia is located in Southeast Asia and comprises of Peninsular Malaysia and East Malaysia with a combined land mass of 329,735 square kilometers. Malaysia is located just north of the equator and experiences a tropical climate all year round with seasonal monsoon rains.

The capital of Malaysia is Kuala Lumpur and the king is the constitutional head of the country, whose role is mainly ceremonial. The country practices parliamentary democracy and is led by the prime minister. Malay is the official language but English is commonly used in commerce. Other common languages include the various Chinese and Indian languages.

Malaysia's population is estimated to be 24.5 million in 2002. The major ethnic group classified as Bumiputera (consisting of Malays and indigenous minorities such as Kadazans, Melanau, Murut and Dayaks) account for 63% of the total population of which Malays account for 52% and indigenous minorities account for 11% of the total population. Other major ethnic groups are the Chinese and Indians, who account for 24% and 7% of the total population respectively.

Slightly more than half of the population follows the Islamic faith while other religions include Buddhism, Hinduism and Christianity. Major festivals celebrated include the Muslim festival of Eidil Fitri, Chinese New Year, Deepavali (for Hindus), Christmas and the Harvest Festival

celebrated only in East Malaysia.

## 1.2 Malaysian Economy

Table 2: Malaysian Economy

	1999	2000	2001	2002	2003 fcst	2004 fcst
Real GDP (billion)	50.7	55.1	55.4	57.7	61.2	63.8
Real GDP Growth (%)	5.8	8.3	0.4	4.2	4.0-5.0	5.0-6.0
GDP Per Capita (US\$)	3,480	3,852	3,814	3,916	3,959	3,963
Exchange Rate (US\$1)	3.8	3.8	3.8	3.8	3.8	3.8
Total CPI(%)	2.8	1.6	1.4	1.9	3.4	4.0
CPI - food (%)	4.6	1.9	0.6	0.7	1.0	1.3
Unemployment (%)	3.4	3.1	3.6	3.5	2.7	2.4

Analysis based on data sourced from 2001 & 2002 Economic Report, Malaysian Ministry of Finance, Malaysian Statistics Department, and Economist Intelligence Unit.

Malaysia's major economic activity is the service industry and accounts for 51% of its GDP. This is followed by manufacturing (32%), agriculture (8%), mining (6%), and construction (3%). Malaysia experienced stagnant economic growth in 2001 as a result of the global economic slow down. In response to the global economic slow down, the government introduced various economic measures beginning in 2001 to stimulate the economy. These included reduction in corporate and personal tax rates, maintaining low interest rates, increase salaries of government servants, and increase in public spending. Together with improvements in exports, Malaysia's GDP grew by 4.2% in 2002 and is expected to continue to grow in the foreseeable future.

Malaysia's inflation remained below 3.0% in 1999-2001 and expected to remain below 4.0% in 2002-2004. The CPI for food declined from 4.6% in 1999 to 0.6% in 2001 and is expected to remain stable in 2002. CPI for food is expected to increase marginally in 2003-2004, as the local and global economy gradually recovers.

The local currency (the ringgit) has been pegged to the US dollar at US\$1.00 to RM3.80 since September 1998. The result of the peg has been stable local currency prices of imported goods paid in the US dollar, which has benefited Malaysian consumers. The government is expected to maintain the current peg to the US dollar in the foreseeable future.

Malaysia's unemployment rate has remained relatively low (below 4.0% in the last four years) even during the global economic slowdown. This low level of unemployment is expected to continue or decline further once the global economy recovers and Malaysia continues its economic growth path.

### 1.3 Demography of Malaysia

Table 3: Malaysian Demography

	1999	2000	2001	2002	2003 fcst	2004 fcst
Population (million)	22.7	23.3	23.8	24.2	24.6	25.0
Private consumption per capita (US\$)	1,446	1,632	1,684	1,754	1,795	1,817

Analysis based on data source from Malaysian Statistics Department and Economist Intelligence Unit.

Malaysia's population has been growing at 2.3-2.4% per year increasing from 22.7 million in 1999 to an estimated 24.2 million in 2002. The below 10 years age group currently accounts for 22% of Malaysia's total population, while the 10-19 years age group account for 21%. The 20-49 years age group represents an important economic age group and accounts for 44% of the total population, while the proportion above 50 years has been steadily increasing and currently accounts for 13% of the total population.

Malaysia's GDP per capita is the third highest in Southeast Asia (after Singapore and Brunei) and has been increasing. As a result, private per capita consumption increased by 21% from US\$1,446 in 1999 to an estimated US\$1,754 in 2002. Private per capita consumption is expected to increase marginally to US\$1,817 in 2004.

The number of households increased from an estimated 540,000 in 1999 to 580,000 in 2002. According to the national census, Malaysia's population living in the urban areas increased from 50% in 1991 to 62% in 2000 and the trend is expected to continue. In 1999, the average annual household income in the urban areas was US\$9,792 but only US\$5,424 in the rural areas. Due to the higher level of income in the urban areas, the annual household expenditure was US\$6,132 of which US\$1,416 was spent on food including US\$288 spent on fresh fruits and vegetables. The average rural annual household expenditure, however, was US\$4,008 of which US\$1,164 was spent on food including US\$216 spent on fresh fruits and vegetables.

Income levels also vary among the ethnic groups in Malaysia. The average annual household income among the Chinese was the highest at US\$10,908 in 1999 followed by Indians at US\$8,532. Though the Bumiputeras are the largest ethnic group, their average annual household income was US\$6,264.

### 1.4 Malaysia's Agriculture Industry

The government's industrialization policy, beginning in the 80s, resulted in a shift in Malaysia's economic activity from agriculture to manufacturing. This resulted in creation of employment opportunities in manufacturing (located in the urban areas) at the expense of agriculture. Therefore the agriculture workforce is expected to decline from 1,524,000 workers in 1995 to 930,000 in 2010.

Malaysia is a net importer of food, including fresh produce, which has been growing at an average of 10% per year and reached an estimated US\$2.5 billion in 2001. To reduce dependency on imported food, the government introduced the Third National Agricultural Policy (1998-2010), which included increasing local cultivation of fruit and vegetable crops. However the response towards increasing local cultivation remains to be seen because of lucrative employment opportunities in the non-agriculture sector.

Cultivation of fruits in Peninsular Malaysia increased from 168,000 hectares in 1990 to 262,000 hectares in 1999. Two-thirds of the total fruit cultivation is grown on small plots of land in the villages, while the remaining one-third comprises commercial cultivation. The quantity and quality of fruits cultivated in the villages are often inconsistent. The major reasons, besides lack of labor, are lack of capital to purchase fertilizers, pesticides and basic equipments and proper agriculture practices. The *durian* and watermelon are the major fruit trees planted followed by mangosteen, starfruit, bananas, papaya and local fruits known as the *rambutan*, *langsats*, *duku langsats*, and *rambutan*. Malaysia's export of fresh and processed fruits has been growing at an average rate of 6% per year, from US\$48 million in 1995 to an estimated US\$135 million in 2002. Exports of fresh fruits are mainly to Singapore (Malaysia's southern neighbor), which has limited land for cultivation.

Cultivation of vegetable crops has remained stagnant and increased from only 26,000 hectares in 1990 to only 32,000 hectares in 1999. Cultivation of vegetables is usually conducted on land areas that are usually less than a hectare. The major vegetable crops cultivated are legumes including yam beans (related to the garden pea), cabbages, spinach, mustard, lettuce, chili, eggplant, okra, cucumbers, gourds and tomatoes. Also grown but in smaller quantities are asparagus, Chinese radish, pennywort, celery, leek, carrot, cauliflower, chive, and broccoli. Malaysia's export of fresh vegetables grew at an average rate of 15% per year from US\$10 million in 1985 to US\$42 million in 1995 but has stagnated since then. Singapore is Malaysia's main export market.

## 2. Consumption of Fresh Produce in Malaysia

Table 4: Per Capita Consumption of Fresh Produce (kg per year)

Source of Produce	1999	2000	2001
From local cultivation	68	68	66
From imports	32	34	38
Total consumption	100	102	104

Analysis based on information obtained from Malaysian National Committee of ICID, Malaysian Statistics Department and Custom's import statistics.

Malaysia's total consumption of fresh produce increased from 2.3 million tons in 1999 to 2.5 million tons in 2001 and is forecast to increase to 2.7 million tons in 2004. Consumption of fresh produce per capita was 100 kg in 1999 with consumption between fresh fruits and vegetables equally divided. With rising per capita income, per capita consumption increased to 104 kg in

2001 and is forecast to increase to 109 kg in 2004. As income rises, Malaysian consumers are not only increasing their consumption of fresh produce but are also expecting greater variety. This has been met by imports, with the proportion of imports over total consumption increasing from 32% in 1999 to 38% in 2001.

Per capita consumption of fresh fruits increased from 50 kg in 1999 to 52 kg in 2001 and is forecast to increase to 55 kg in 2004. Furthermore, the proportion of the consumer's consumption of fresh fruits from imports increased from 18% in 1999 to 23% in 2001 and is forecast to increase to 28% in 2004, as consumers demand for greater variety. Major imported fruits consumed by most Malaysians living in both the urban and rural areas are apples, oranges, mandarin oranges including tangerines, pears and quinces, and grapes. Imported fruits consumed in smaller quantities (mostly in the urban areas) are mangos, grapefruits, plums, avocados, peaches, cherries, strawberries, kiwifruits, and apricot.

Table 5: Per Capita Consumption of Fresh Fruits (Kg per year)

Source of Produce	1999	2000	2001
From local cultivation	41	40	40
From imports	9	11	12
Total consumption	50	51	52

Analysis based on information obtained from Malaysian National Committee of ICID, Malaysian Statistics Department and Custom's import statistics.

Like fresh fruits, per capita consumption of fresh vegetables increased from 50 kg in 1999 to 52 kg in 2001 and is forecast to increase to 55kg in 2004. The proportion of the consumer's diet of fresh vegetables from imports increased from 46% in 1999 to 50% in 2001. Unless there are increases in local planting of vegetable crops, consumption from imports is expected to increase to 62% in 2004. Major imported vegetables consumed are onions, shallot, garlic, cabbages, carrots, and potatoes mainly from India, Indonesia, Thailand, Holland and China. Other vegetables include tomatoes, carrots, lettuce, celery, sweet corn, cucumbers and gherkins, chili, broccoli, cauliflower, and brussels sprouts mainly imported from China, Thailand, Australia, and New Zealand.

Table 6: Per Capita Consumption of Fresh Vegetables (kg per year)

Source of Produce	1999	2000	2001
From local cultivation	23	23	25
From imports	27	28	26
Total consumption	50	51	52

Analysis based on information obtained from Malaysian National Committee of ICID, Malaysian

Statistics Department and Custom's import statistics.

### 3. Import of Fresh Produce

Though the Malaysian government has introduced various measures including incentives to encourage local cultivation of fruits and vegetables, the country is still dependent on imports. Furthermore, changes in consumer eating habits have created demand for fresh produces that are best grown in countries of the temperate climate such as the United States, Australia, New Zealand, China and South Africa.

Based on import statistics from Malaysian Customs, the total CIF (cost, insurance, and freight) value of imported fresh produce increased from US\$233.0 million in 1999 to US\$261.2 million in 2001. Imports are expected to increase further from an estimated US\$283.4 million in 2002 to US\$361.7 million in 2004 with improvements in the global and domestic economy. In value terms, a higher proportion of imported fresh produce is for fresh vegetables. Fresh vegetables accounted for 72% while fresh fruits accounted for 28% of the total import in 1999. The proportion of imported fresh fruits increased to 32% in 2001 and forecast to increase further to 35% in 2004 as household income improves.

The five major fresh fruits imported into Malaysia are apples, oranges, mandarin oranges including tangerines, pears and quinces, and grapes. Their combined sales accounted for 87% of all fresh fruits imported into Malaysia in 2001. Other fruits imported into Malaysia include mangos, grapefruits, plums, avocados, peaches, and to a lesser extent cherries, strawberries, kiwifruits, and apricot.

The five major fresh vegetables imported into Malaysia are onions including shallot, garlic, cauliflower, cabbages, carrots, and potatoes. Their combined sales accounted for 82% of all fresh vegetables imported into Malaysia. Other vegetables include cabbages, tomatoes, carrots, lettuce, celery, broccoli, sweet corn, cucumbers and gherkins, chilli, and Brussel sprouts.

Except for oranges, demand for various imported fresh produce remains practically constant and Malaysians are accustomed to their availability throughout the year. This is because Malaysia imports seasonal fruits and vegetables from countries in the northern and southern hemisphere, which have opposite growing and harvesting seasons. Fresh produce that is out of season in Australia, New Zealand, and South Africa (southern atmosphere) is supplied by countries such as the United States and China (northern hemisphere) and vice versa.

There is a surge in demand for oranges, mandarin oranges, and tangerines during the Chinese New Year, which follows the lunar calendar and celebrated between the month of January and February. It is a major festival celebrated by Malaysia's Chinese community and traditionally these citrus fruits are eaten and given as gifts during the festivity.

Table 7: Major Import of Fresh Fruits into Malaysia (CIF import value)



Produce		1999	2000	2001	2002	2003f	2004f
Apples	Ton	66107	69302	77071	73374	76125	78979
	US\$ mil	18.1	16.9	19.2	19.3	19.7	20.2
Oranges	Ton	47306	64821	78304	63630	71920	81290
	US\$ mil	14.5	18.4	20	18.8	20.7	22.7
Mandarin oranges, including tangerines	Ton	45398	48047	45562	72918	87672	105413
	US\$ mil	11.2	11.2	10.3	15.2	17.1	19.3
Pears and quinces	Ton	31538	45542	64840	56537	70478	87857
	US\$ mil	6.6	8.7	12.4	11.6	14.2	17.4
Grapes	Ton	11705	15440	16467	25512	33462	43890
	US\$ mil	8	10.1	10.7	13.2	15.6	18.4
Others	US\$ mil	7.7	8.1	10.8	12.9	17.1	27.5
Total	US\$ mil	66.1	73.4	83.4	91	104.6	125.5

Source: 1999-2001 from Malaysian Customs, 2002 based on latest July 2002 figures and factored over 12 months, 2003-2004 forecast based on average annual growth for 2000-2002.

Table 8: Major Import of Fresh Vegetables into Malaysia (CIF import value)

Produce		1999	2000	2001	2002	2003f	2004f
Onion and shallot	Ton	237139	266946	298913	311028	340677	373152
	US\$ mil	64.8	59.7	66.3	68.3	69.7	71.1
Garlic	Ton	75224	55056	67567	86142	92860	100102
	US\$ mil	25.5	17.5	26.7	31.2	35.2	39.7
Cauliflower and broccoli	Ton	18788	20953	20552	21138	22017	22931
	US\$ mil	19.1	20	20.3	20.7	21.3	21.9
Carrot and turnips	Ton	33927	37664	40840	41126	43889	46836
	US\$ mil	16.9	17.1	17.3	18.1	18.6	19
Potatoes	Ton	68007	67585	72426	66913	66674	66436
	US\$ mil	14.7	12.5	14.5	14.6	14.7	14.8
Others	US\$ mil	25.9	26.4	32.7	39.5	43.3	47.1

Total	US\$ mil	166.9	153.2	177.8	192.4	202.7	213.6
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Source: 1999 - 2001 from Malaysian customs, 2002 based on latest July 2002 figures and factored over 12 months, 2003-2004 forecast based on average annual growth for 2000-2002.

#### 4. Major Exporters of Fresh Produce

Table 9: Major Exporters of Fresh Produce to Malaysia in 2001

Country	Fresh Fruits	Fresh Vegetables	Total Produce	Total Market Share
China	25	57.5	82.5	31.6%
Australia	15	40.3	55.3	21.2%
India	0.3	29..1	29.4	11.3%
Thailand	1.9	22.1	24	9.2%
United States	19.1	3.5	22.6	8.7%
Holland	0.1	11.8	11.9	4.6%
New Zealand	3.1	5.3	8.4	3.2%
Indonesia	0.1	6.9	7	2.7%
Others	18.8	1.3	20.1	7.50%
Total Import	83.4	177.8	261.2	100.0%

Source: Malaysian Customs

Major exporters of fresh produce to Malaysia are China, Australia, India, Thailand, United States, Holland, New Zealand, and Indonesia, which account for 92.5% of Malaysia's import. Other countries include Spain, South Africa, Pakistan, and Chile. China is the overall market leader and the popularity of its produce is due to their low prices. Australia holds second position and a wide variety of Australian fresh produce is available in Malaysia. Australia's advantage over the United States is its closeness to Malaysia resulting in lower freight costs and shorter transportation period between Malaysia and Australia. Though India holds third position, imports from India are mainly for onions and shallots. Thailand holds fourth position and imports are mainly for a wide variety of fresh vegetables. The US ranks fifth and its produce sold in Malaysia is similar to Australian produce such as grapes, apples, oranges, lettuce, carrot, cauliflower, and broccoli.

Oranges, mandarin oranges including tangerines, apples, grapes, and pears are the main fruits imported into Malaysia. The market leaders for these imported fruits are China, Australia, New Zealand, and the United States. While Australia and the United States are the market leaders for oranges and grapes, China is the market leader for mandarin oranges, apples, and pears. Since the US and China are in the northern hemispheres with similar seasonal periods, US exporters have to compete aggressively with Chinese exporters who can sell their produce at lower prices.

However competition is less intense with exporters in countries of the southern hemisphere, such as Australia and New Zealand, since they have opposite seasonal periods.

Table 10: Exporters of Major Fresh Fruits to Malaysia in 2001

Country	Volume/ Value	Orange	Mandarin Orange	Apple	Grape	Pears
China	Ton	3310	40184	28787	232	54944
	US\$ mil	0.85	8.91	5.23	0.04	9.79
Australia	Ton	37482	1261	7080	5243	5210
	US\$ mil	8.1	0.37	1.18	2.7	1.34
New Zealand	Ton	19	1	9740	2	46
	US\$ mil	< 0.01	< 0.01	2099	< 0.01	0.02
United States	Ton	21940	25	9614	7606	253
	US\$ mil	7.91	0.01	3.44	5.82	0.1
Others	Ton	15553	4091	21850	3384	4387
	US\$ mil	3.16	1.04	5.69	2.14	1.18
Total	Ton	78304	45562	77071	16467	64840
	US\$ mil	20.03	10.34	19.15	10.71	12.43

Source: Malaysian Customs

Major fresh vegetables imported into Malaysia are onions including shallot, garlic, cauliflower including broccoli, carrots, and potatoes. India followed by Thailand, Holland, and China are the market leaders for onions and shallots. China is the market leader for garlic while Indonesia, China and Holland leads in the supply of potatoes. Though Dutch onions and potatoes are sold at higher prices than its major competitors, they are have gained acceptance among Malaysian consumers because of their high quality. Australian vegetables are popular in Malaysia and Australia is a market leader in the supply of cauliflower, broccoli, carrot, baby carrots, and turnips.

Besides onions and shallots, Thailand is also a major supplier of tomatoes, chili, leeks, cabbages, Chinese mustard, kale, lettuce, cucumber, legumes, and mushroom to Malaysia. These crops are also widely grown in Malaysia, but costs of Thai produces are often lower than Malaysian produces. Other Thai vegetables imported into Malaysia include cauliflower, broccoli, carrot, and small quantities of garlic and potatoes. Except for onions and shallots, most of the produce imported from Thailand is grown in southern Thailand and mainly destined for markets in northern Peninsular Malaysia. Thai and Malaysian trucks regularly pass through the border checkpoints bringing Thai produce into Malaysia. Furthermore, Malaysians living near the border

towns, regularly walk through the border checkpoints to purchase cheap Thai produce. Further in the interior, where no border checkpoints are present, Malaysian villagers would cross into Thai territory unhindered to purchase their necessities. Smuggling of cheaper Thai vegetables into Malaysia is non-existent since there is no duty on import of vegetables into Malaysia.

Table 11: Exporters of Major Fresh Vegetables to Malaysia in 2001

Country	Volume/ Value	Onions/ Shallot	Garlic	Cauliflower/ Broccoli	Carrot/ Turnips	Potatoes
China	Ton	31757	58219	3241	2468	17653
	US\$ mil	7.21	23.16	2.81	1.08	4.13
Australia	Ton	1534	28	16487	34434	7083
	US\$ mil	0.43	0.01	16.81	14.41	2.08
Indonesia	Ton	3334	1	13	9	25289
	US\$ mil	1.09	< 0.01	0.02	< 0.01	2.57
New Zealand	Ton	5613	< 0.01	7	3367	7577
	US\$ mil	1.64	< 0.01	0.01	1.44	1.94
United States	Ton	56	64	268	139	1408
	US\$ mil	0.01	0.02	0.21	0.14	0.6
Thailand	Ton	45568	29	185	185	13
Thailand	US\$ mil	11.49	< 0.01	0.03	0.06	< 0.01
India	Ton	137279	391	10	-	248
	US\$ mil	28.71	0.12	< 0.01	-	0.05
Holland	Ton	39292	-	8	11	9730
	US\$ mil	9.12	-	< 0.01	< 0.01	2.3
Others	Ton	34480	8835	333	227	3425
	US\$ mil	6.58	3.37	0.36	0.14	0.79
Total	Ton	298913	67567	20552	40840	72426
	US\$ mil	66.27	26.71	20.27	17.29	14.47

Source: Malaysian Customs

## 5. Consumer Preference

Every year thousands of Malaysian students study in countries such as the United States, Australia, Canada, New Zealand, Britain, Ireland and Japan, which are also common destinations for Malaysian tourists and business people. As a result, they become exposed to fresh produce and eating habits of these countries. Furthermore, large modern hypermarkets and supermarkets located throughout Malaysia have also exposed Malaysian consumers to a variety of imported fruits and vegetables.

Generally imported fresh produce from the temperate climates are relatively higher priced than locally grown produce. However, Malaysia's rising per capita income has made imported fresh produce, such as apples, oranges, pears, grapes, cauliflower, and broccoli affordable to many. However higher priced imported produce, such as cherries and strawberries, are still unaffordable to those from the lower income group.

Most Malaysian consumers prefer the “see, feel and pick” experience in purchasing their produce and therefore most retail outlets sell fresh produce loose. However selling packed fresh produce is becoming acceptable (mainly practiced by hypermarkets and supermarkets) provided that the consumers can see through the packaging material. Malaysian consumers prefer most fresh vegetables to be packed between 0.20kg and 0.50kg. The preferred packing size for fruits, such as apples, pears and oranges, is 6-10 fruits per pack. The preferred packing size for strawberries and cherries is usually around 0.25kg while for grapes it is 0.25-0.50kg. It is also becoming popular for apples and pears to be individually packed in Styrofoam nets (to prevent bruising) while still being sold loose.

In general, Malaysian consumers are price sensitive and indifferent towards the brand and country of origin of the imported produce. However this does not mean that consumers are totally indifferent towards freshness, taste and appearance of the produce in their purchasing decision. Though Malaysian consumers are not as discerning as Japanese consumers, they do expect a reasonable level of quality for the price paid i.e. value for money.

Fresh produce from Australia is well known and popular in Malaysia and is perceived to be of high quality and reasonably priced. Malaysians are familiar with Australian produce, because of the promotional activities conducted by Australian exporters, their associations, board, or government agencies. Promotional activities for Chinese produce are practically non-existent but are popular with Malaysian consumers because of their low prices and considered of acceptable quality.

Except for Washington Apples and Sunkist oranges, many Malaysian consumers are unfamiliar with US produce and unaware that much of the fresh produce consumed in Malaysia is from the US. Though the US is a major exporter of grapes to Malaysia, many consumers mistakenly believe they are Australian and others mistakenly believe that US oranges are either from Australia or China. However, consumers who are familiar consider US produce is of high quality and to be reasonably priced. Overall comments from wholesalers were that familiarity and consumption of US produce would increase if more promotional activities were conducted. Produce such as apples, oranges, mandarin oranges, pears, grapes, cauliflower and carrots are popular and consumed by consumers living in both the urban and rural areas and across various income levels. This is because of the affordability and wide availability of these produces. Higher

priced imported produce such as broccoli, grapefruit, apricot, plums, cherries, baby carrots, strawberries, avocados, kiwifruits, mushroom, baby carrots, and celery are mostly consumed by consumers in the middle and above income bracket.

## 6. Government Import Requirements and Tariffs

There are no government quotas and quarantine restrictions on import of fresh produce. Government formalities on import of fresh produce through the various ports of entry (land, sea and air) are relatively straightforward and clearance is usually within 1-2 days. Malaysian health and agriculture authorities conduct random inspections on each consignment of imported fresh produce before clearance by Malaysian customs at the port of entry.

Fresh vegetables imported into Malaysia are exempted from import duties and sales tax. However most imported fresh fruits are subjected to a 5% import duty, which is based on the CIF value of the fruit. These include oranges, mandarin oranges, tangerines, apples, pears, grapes, cherries, apricots, strawberries, plums, grapefruit, peaches, blackcurrant, gooseberries, blackberries, and raspberries. A sales tax is imposed on some imported fruits, which is based on the combined CIF value and import duty paid for the imported fruit. These include kiwifruits, avocados, mangos, mangosteen, and papayas as shown in table 12.

Table 12: Import Duties on Fruits

Produce	SITC Code	Import Duty on CIF Value
Kiwifruit	057-949-000	15%
Avocados	057-971-000	10%
Mangoes	057-979-200	5% plus RM220.45 per ton
Mangosteen	057-979-300	5% plus RM440.90 per ton
Papaya	057-912-900	5% plus RM661.40 per ton

Source: Malaysian Customs Tariff on Import Export Duty, International Law Book Services, 2002

## 7. Distribution of Fresh Produce

Most fresh produce is imported into Malaysia through the country's seaports with Port Klang (about 40 km from Kuala Lumpur) as the main port of entry. Others seaports are located in or near Penang, Johor Bharu, Kuching and Kota Kinabalu. The Kuala Lumpur International Airport (about 60 km from Kuala Lumpur) is the major port of entry for produce brought in by airfreight. However, the high cost of airfreight limits imports to more perishable produces that can be sold at high prices, such as strawberries and cherries. Produce from Thailand is mainly brought into Malaysia by trucks crossing Thailand's southern border with Malaysia.

Fresh produce is brought in into the country by importers often specializing in fresh produce.

Importers then sell the produce to the wholesalers or direct to the hypermarkets and supermarkets chains and food service distributors. From the wholesalers, the produce is then sold to the small provision stores, mini-markets, smaller retailers in the wet markets, weekly night and day markets before eventual purchase by the consumers. Food service distributors sell direct to the restaurants including independent restaurants, restaurant chains, fast food outlets, and hotels. Though not common, hypermarket and supermarket chains and food service distributors may at times import directly from the exporters.

It is estimated that there are between 110,000 and 120,000 retail outlets throughout Malaysia ranging from the small provision stores to large hypermarket chains. There are about 400 hypermarket and supermarkets throughout Malaysia and represent 15-25% of the total retail sales (food and non-food products) in the country. Most of the hypermarket and supermarket chains are located in or near large cities and towns such as Kuala Lumpur, Petaling Jaya, Johor Bahru, Seremban, Malacca, Penang, Kuantan, Kuching and Kota Kinabalu. Small provision stores, mini-markets, wet markets, day and night markets are often located in residential areas. The various categories of retail outlets often sell both local and imported produce though the type of produce sold may differ. Onions, potatoes, carrots, oranges, mandarin oranges, pears and grapes are available in nearly all the categories of outlets. However, small provision stores tend to sell imported produce that is less perishable (due to the lack of cold storage facilities) such as potatoes, onions, and carrots. Though retailers in wet, night and day markets lack cold storage facilities, they would sell more perishable produce such as leafy vegetables since they receive their consignments on a daily basis from their wholesalers.

Since hypermarkets and supermarkets have cold storage facilities, they often sell the widest variety of imported produce including those that are more easily perishable under Malaysia's tropical climate. Examples of produce that is more commonly sold in hypermarkets and supermarkets are cherries, strawberries, broccoli, Brussel sprouts, lettuce, and celery.

## **8. Recommendations for US Fresh Produce Exporters**

It is important to conduct regular market visits and meetings with local industry players such as importers, wholesalers, managers in hypermarkets, and supermarkets to be updated on the local market environment. Besides, as Asians, Malaysians value the personal relationship in dealing with their business partners. The following are marketing recommendations to assist US exporters market their produce in Malaysia:

1. Participate in various local exhibitions to gain market exposure and develop potential business contacts especially with local importers.
2. Develop regular promotional campaigns with hypermarket and supermarket chains to expose local consumers with US fresh produces.
3. Advertise in the local media including the newspapers, magazines, radio and television.
4. Participate in radio and television talks shows introducing and promoting US fresh produces to Malaysian consumers.



5. Promote through local television cooking programs by introducing various ways to cook Asian dishes using US fresh produces.
6. Submit articles of interest to local consumers in the local newspapers on US fresh produces
7. Develop promotional brochures on US fresh produces distributed through the hypermarket and supermarkets chains.
8. Promote the nutritional value, quality, cleanliness, and tastiness of US fresh produces
9. Develop catchy tag lines such as “Fresh from the US” to develop consumer awareness and brand building.
10. Establish representation in Malaysia by establishing a country office or appointing a local representative to conduct regular market research and represent exporter's interest.
11. Offer promotional pricing, through the importers, to the hypermarkets and supermarket chains
12. Conduct seminars and training programs for importers, wholesalers, distributors, and managers in hypermarket and supermarket chains.
13. Where competitive pricing is not an option, then market the produce as a premium product targeted at the high-end price segment.

## **9. Best Prospects for US Fresh Produce Exporters**

US exporters face strong competition from producers such as China, Australia, India, Thailand, United States, Holland, New Zealand, and Indonesia. Though the Malaysian market is price sensitive, price is not the only success criteria for US exporters to develop the Malaysian market. Developing strong business relationships with local industry players including importers, maintain availability and quality of the produce, effective promotional campaigns, and targeting the right markets are other success criteria. Examples in the Malaysian market:

1. Though the average CIF price in 2001 for imported US apples was US\$355 per ton and Australian apples were US\$252 per ton, US apples occupied 13% and Australian apples 9% market share by volume
2. The average CIF price in 2001 for imported cherries from the US was US\$913 per ton, while those from Australia were US\$776 and China US\$223. However US cherries were the market leader and occupied a 49% share of the Malaysian market by volume.
3. In 2001 fresh plums imported from US fetched an average CIF price of US\$1,321 per Ton while those from Australia were US\$1,026 per ton and China US\$686 per ton. Though Australia was the market leader and occupied a 37% market share by volume, US fresh plums trailed by just 35% and China only occupied a 3% market share.



Prospects for US exporters can be categorized into 2 markets, i.e. produces that have mass market potential and those that have niche market potential;

1. Mass market – Fresh fruits and vegetables that are widely consumed by the general population. The total CIF import value of each of these types of produce was between US\$10 and US\$66 million in 2001.
2. Niche market – These fresh fruits and vegetables are consumed by a small consumer segment. The total CIF import value of each of these types of produce was between US\$200 thousand and US\$2 million in 2001.

Table 13: Market Potentials

Market Potential	Fruits	Vegetables
Mass Markets	Apples, oranges, mandarin oranges and tangerines, pears and quinces, grapes and mangos	Potatoes, onion and shallots, broccoli, garlic and carrot and turnips
Niche Markets	Lemon, grapefruit, plums, strawberries, cherries and kiwifruit	Brussel sprouts, baby carrots, sweet corn including baby corn and roasted garlic

## 10. APPENDIX 1

### 10.1 Retail Prices of Fresh Fruits

Table 14: Retail Prices of Fresh Fruits (US\$ per kg)

Produce	Average Price	Minimum Price Range	Maximum Price Range
Apples	0.88	0.52	1.18
Orange	0.82	0.52	1.56
Nectarine	2.37	2.37	2.37
Lemon	0.73	0.73	0.73
Grapes	2.62	2.37	3.66
Seedless grapes	3.28	3.07	3.65
Pears	0.93	0.58	1.05
Plums	1.6	1.31	1.79
Strawberries	1.58	1.58	1.58
Grapefruits	0.4	0.34	0.44
Blueberry	2.61	2.61	2.61
Raspberry	3.39	3.39	3.39
Kiwifruits	0.17	0.13	0.21
Melons	2.06	1.58	2.37
Mango	1.26	1.18	1.32
Pineapples	0.74	0.74	0.74

### 10.2 Retail Prices of Fresh Vegetables

Produce	Average Price	Minimum Price Range	Maximum Price Range
Mushroom - shitake	5.68	5.68	5.68
Mushroom - button	2.08	2.08	2.08
Mushroom - oyster	1.65	1.47	1.84
Baby carrot	4.2	4.2	4.2
Carrot	0.79	0.44	1.05
Potato (premium grade)	1.29	1.29	1.29
Potato (medium grade)	0.79	0.5	1.05
Brussels sprouts	2.1	2.1	2.1
Alfalfa sprouts	1.29	1.29	1.29
Radish	0.92	0.92	0.92
Onion red	0.64	0.31	1.05
Shallot	0.73	0.5	0.97
White garlic	0.77	0.5	1.05
Smoked garlic	1.57	1.29	1.84
Cauliflower	1.53	1.31	1.71
Broccolo	1.57	1.29	1.84
Lettuce	1.94	1.84	2.05
Capsicum	1.18	1	2.03
Celery	1.03	0.92	1.13
Sweet corn	9.18	7.87	10.5
Gherkin	6.58	6.58	6.58
Asparagus	4.21	4.21	4.21

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END OF REPORT